HUB International

HUB International Limited
2000 Annual Report

MISSION STATEMENT

Representing the buyer is HUB International's business. We provide insurance, financial services and risk management solutions for our clients. We serve their best interests through our dynamic people, products and services.

2000

ABOUT THE COVER

The fleet shown on the cover depicts HUB International's operational structure. Although each ship varies in size and armaments, the combined capabilities contain significant fire power and expertise. As part of a fleet, a ship follows a coordinated course. Conversely, it is independently able to steer, responding with speed and flexibility as situations dictate.

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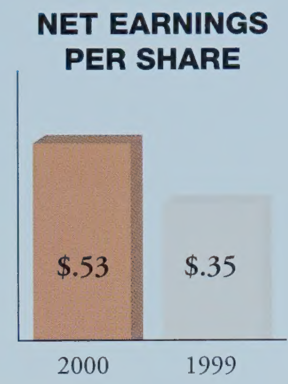
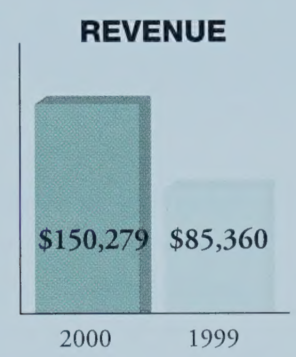
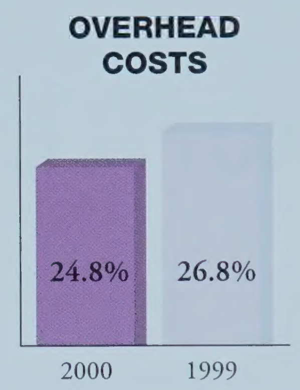
HUB INTERNATIONAL LIMITED

YEAR IN REVIEW





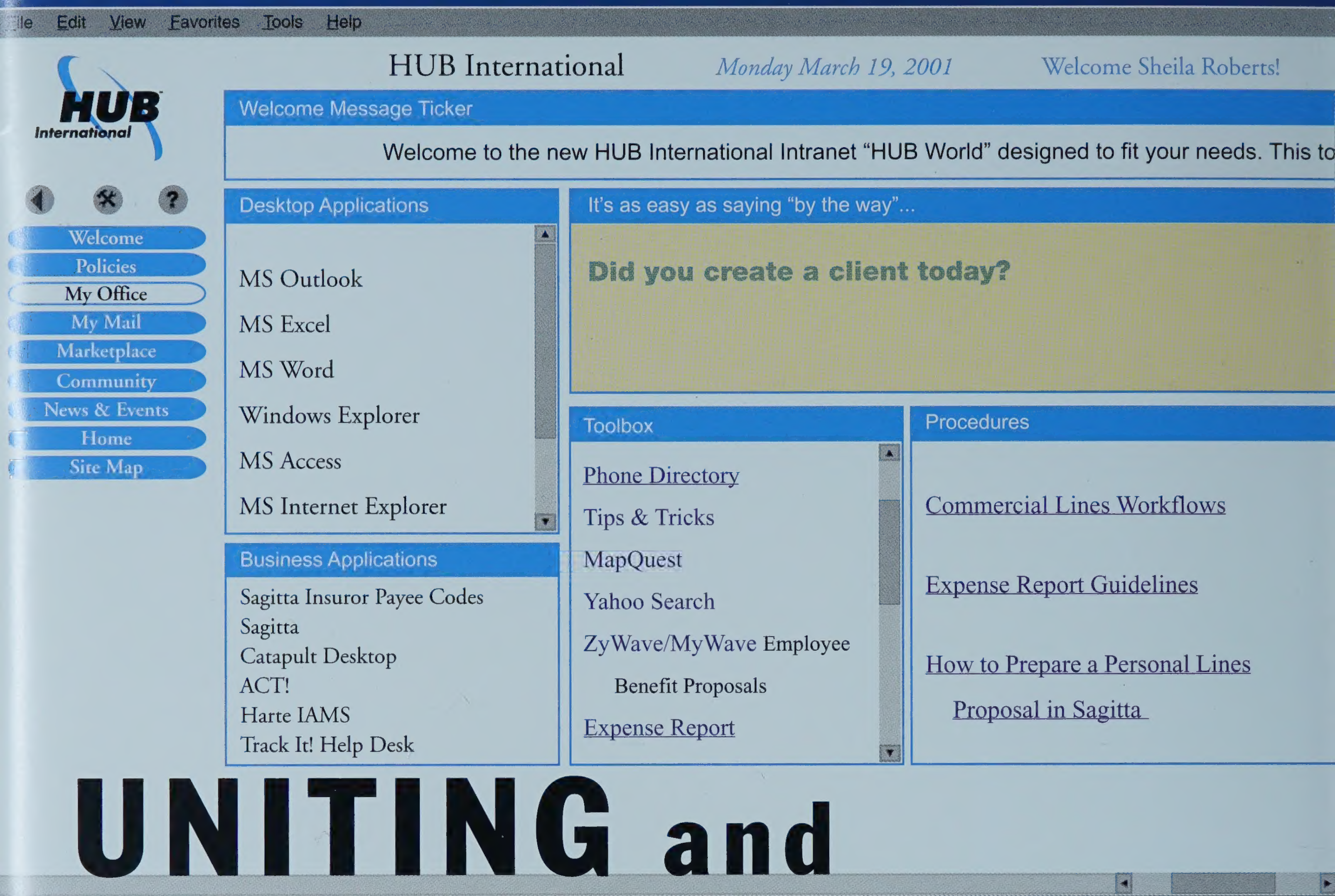


FINANCIAL HIGHLIGHTS

(in $ thousands except share and per share data)

	2000	1999
Revenue	150,279	85,360
Earnings before interest, taxes, depreciation and amortization (EBITDA)	29,604	17,899
EBITDA margin	20%	21%
Net earnings	9,685	5,908
Total assets	325,294	270,139
Common shareholders' equity	177,058	166,408
Free cash flow return on average common equity	9%	4%
Common shares outstanding—year-end (000's)	18,528	18,309
Weighted average shares outstanding (000's)	18,327	16,941
Per share		
Net earnings	.53	.35
Common shareholders' equity	9.55	9.09
Market prices per share		
High	18.00	28.00
Low*	9.50	13.50
Close	13.00	17.30

**The initial public offering price was $13.50*



UNITING and EMPOWERING

CORPORATE INTRANET

The above picture illustrates our intranet, 'HUB World'. During the second quarter 2001, HUB World will begin connecting HUB's 1,430 employees. This browser-based tool allows users to launch all of their desktop applications and simultaneously access the entire HUB community and knowledge base with ease.

HUB World can integrate desktop applications and internet tools. This will create a vehicle for each office to promote specific products and services throughout the HUB community. It will also enable our personnel to provide quick solutions for their clients' complete and unique needs.

DIVERSITY in DISTRIBUTION

RETAIL, WHOLESALE AND CALL CENTRES

Today's consumer must manage in a very busy world. Choices for purchasing goods and services range from 24/7 web and call centre access to traditional on-site and in-office consultations. We believe the ability to seamlessly align these touch points is a necessity. The depth of our expertise in a variety of distribution channels is unique in our business and will allow us to emerge as a forerunner in the world of connectivity and choice.

Multiple Ways To Reach Our Customers

COMPANY PROFILE

HUB International Limited (formerly The Hub Group Limited) was incorporated in 1998 and became a public company listed on The Toronto Stock Exchange (HBG) in February 1999. HUB International is an international insurance brokerage which provides a wide variety of property, casualty, life and health, employee benefits, investment and risk management products through its operating subsidiaries. Clients are served by 1,430 professionals (including part-time equivalents) in more than 110 locations across North America. Our corporate objective is to build long term shareholder value by annually achieving earnings before interest, taxes, depreciation and amortization (EBITDA) in excess of 20 percent of revenue.

Multiple Distribution Channels

HUB International offers products and services through retail, wholesale and call centre distribution channels. This diversity gives us enormous flexibility and power when choosing the most appropriate solutions for specific market segments.

1. **Retail Sales & Services Centres:** providing a broad range of property and casualty insurance, life and health insurance, risk management and financial services, in major cities and local communities.

2. **Retail Call Centres:** providing sales and service by telephone to individuals or members of employee groups, associations, affinity groups or target communities.

3. **Wholesale Life & Financial Services Centres:** providing life and financial products and expertise to more than 5,000 agents.

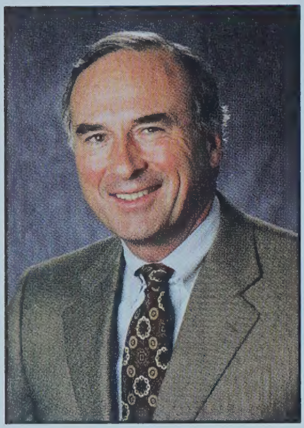
4. **Wholesale Property & Casualty Insurance Centres:** providing products, international risk solutions, captive management programs and specialty lines to more than 1,500 brokers.

ACHIEVEMENTS

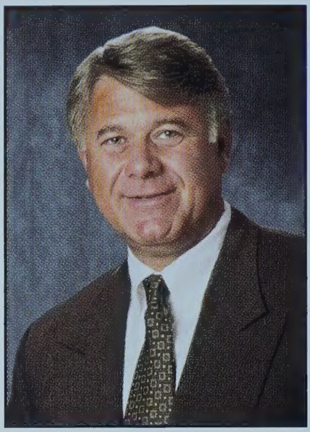
Highlights:

- Completed eighteen acquisitions, including C. J. McCarthy Insurance Agency, Inc, in Boston, Massachusetts, with annual revenues of $18 million
- Achieved $150 million in revenue, $10 million in excess of our target
- Designed and implemented a unique point of sale solution for wireless auto policy issuance
- Established a centralized life and financial services marketing company, HUB Financial Inc.
- Created a state-of-the-art agent services website, www.hubfinancial.com
- Consolidated five locations in Ontario and four locations in Quebec
- Launched an additional Call Centre in Montreal
- Obtained license for Siebel Customer Relationship Management (CRM) software
- Completed and launched HUB Intranet, "HUB World", in 2001
- Changed name from The HUB Group Limited to HUB International Limited

TO OUR SHAREHOLDERS



Martin P. Hughes
Chairman and Chief Executive Officer



Richard A. Gulliver
President and Chief Operating Officer

HUB International Limited had an excellent year in 2000. We made considerable progress towards accomplishing our major objectives, including strengthening and securing our position as a leader in the insurance industry in North America. Our 2000 financial performance offers much to be proud of:

- Net earnings grew 51% to $.53 per share from $.35 per share in 1999.
- Earnings before interest, tax, depreciation and amortization (EBITDA) grew to $29.6 million from $17.9 million in 1999, a gain of 65%. As a percentage of revenue, EBITDA was 20% compared to 21% in 1999—considering that we grew so rapidly through acquisitions in 1999 and that 2000 was our first full year of operations as a public company, our performance in this area was acceptable, and a standard we intend to improve upon.
- Free cash flow return on average equity, although still relatively low due to our large equity base, was 9% in 2000 compared to 4% in 1999.
- Revenues increased 76%, to $150 million from $85 million in 1999.

We achieved these commendable results while planning the move of our executive offices to Chicago from Toronto. This move was a result of our decision to focus on U.S. acquisitions in 2001. The energy generated by having our executive team in one location will enable us to maximize these opportunities.

STRATEGY FOR GROWTH AND VALUE

Going forward, our goal is to focus on meeting and ultimately exceeding the financial performance of our peer group. To that end, we have established a broad two-part strategy to enhance shareholder value. The first element of our strategy is organic growth; the second element is growth through strategic acquisitions:

1. ORGANIC GROWTH

Leveraging our current client and insurer relationships with our collective skills and broad product offerings puts us in a powerful position. We will capitalize on our position by aligning the needs of our nearly one million customers with the capabilities of our 1,430 professionals. This will facilitate profitable distribution of our comprehensive array of property and casualty insurance, life insurance, employee benefits and financial services.

Where we do not currently provide these products or services, we will move to expand the client relationship by introducing additional solutions.

This strategy will include extending our offerings to our customers' employees, families and extended families. We expect the result to strengthen our existing customer base, attract new customers, and improve customer satisfaction and loyalty. This should enable us, over time, to reach our objective of increasing our product density to an average of at least 3 products per customer (from about 1.3 in 2000). In executing our organic growth strategy, we will fully utilize our distinct strengths, including:

- **Diversity of Distribution Channels**

Different market segments are best served through a choice of distribution models. An excellent product, service or client solution can be rendered useless if it gets lost in the wrong pipeline. As discussed in our Corporate Profile, we currently have the choice of several distribution channels, and in 2001 we intend to expand internet access for our clients. Our ***distribution diversity*** enhances our marketing and sales efforts and increases the probability of our success.

- **Command of Information**

The key to selling into our vast client and prospect base is information—to identify and satisfy client needs and to make it easy for our clients and prospects to find and communicate with us.

The 2001 rollout of our HUB International Intranet is indicative of the power that can be generated through the ***combination of information and technology.*** Our Intranet will allow our sales and service professionals full access to all of our products, services and intellectual capital, so that we can fully leverage the internal resources that we command.

In addition, we have invested in Siebel Customer Relationship Management software, which will give us a ***360° view of our customers,*** providing useful marketing information and encompassing all of their existing HUB portfolio and relationships.

While many organizations concentrate on market share, we think increasing ***share of the customer*** will be more rewarding. The combination of accessible resources and customer intelligence will enable us to address the challenge confronting the financial services industry today, that is, to align a diverse product offering with the special needs of every client.

- **Flexibility and Experience**

HUB International distinguishes itself from its peers in two significant ways. First, our locations are not constrained by centralized management—they operate with the full ***flexibility*** to react to local market conditions and demands. Second, they have access to the entire wealth of international ***experience*** that we can bring to bear on any insurance, risk management or financial services challenge.

It is this local autonomy, allowing sensitivity and reaction to the shifting needs of the regional marketplace, supported by the coordinated abilities and initiatives of a larger fleet of professionals, that crystallizes HUB International's defining feature—the agility of a small service provider, with the strength of an international power.

2. GROWTH THROUGH ACQUISITIONS

HUB International acquires firms that are characterized by four key attributes:

continued on next page

TO OUR SHAREHOLDERS *CONTINUED*

- An experienced and talented management team prepared to make a long-term commitment to executing HUB International's strategic business plan.
- The ability to identify, acquire and seamlessly integrate smaller brokerages in their territory.
- An area of specialization in products, service or expertise.
- A demonstrated record of organic growth and profitability, operating at, or capable of achieving in the near term, our minimum target of 20% EBITDA expressed as a percentage of revenue.

Attractive candidates do exist, and they are attracted to HUB International. In 2000 we purchased 18 brokerages, the most significant of which was C.J. McCarthy, in Boston, with annual revenues of $18 million. We began 2001 with the announcement in January of a definitive agreement to purchase Kaye Group Inc., headquartered in New York City. Kaye and its management team fulfill all of the above criteria, and we expect them to make an important contribution to the achievement of our growth objectives.

INSURER RELATIONSHIPS

As we grow, internally and through acquisitions, relationships with insurers will be crucial to our success. Many quality insurers in North America are seeking to align themselves with dynamic organizations like HUB International in order to gain the efficiencies that follow the expansion of their business through strong partner relationships. Our challenge is to identify insurers' varying preferences and match our clients' needs to those preferences. Doing this well will afford our clients comprehensive coverage at competitive prices, heighten our profile with key insurers and augment our revenues.

ABOUT OUR STOCK

When HUB International was organized, listing on a stock exchange was not our goal—it was simply an element of a larger plan that would see us grow to be a profitable and respected competitor in a rapidly changing financial services environment. We knew that becoming a public company was just one in a series of important steps that would be, to coin an old adage, a journey, and not a destination. The journey has just begun. So, while we watch with keen appreciation as ***the market reacts*** (yes, that can mean up and down) to our growth and performance, we will not become preoccupied with stock price fluctuations to the detriment of our mission. We know our course; we have the ability and the perseverance to succeed, and we are driving on. We will let the market follow.

We're pleased to present such a fine report. Our management team is energized by what HUB International has achieved. We look forward to building upon our success and remain committed to performing at increasingly higher levels in 2001 and beyond. We thank our shareholders, Board of Directors, clients and, of course, our employees for their commitment, contribution and support.

Martin P. Hughes
Chairman and Chief Executive Officer

Richard A. Gulliver
President and Chief Operating Officer

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Selected Financial Data

The following table summarizes the revenue and operating profit from continuing operations for the past six years.

Until November 30, 1998, the effective date of the merger which formed Hub International Limited, each of the subsidiaries operated as a separate autonomous company. Accordingly, the net earnings do not reflect the Company's arrangements regarding management compensation and therefore are not consistent with the current year and 1999 results. In the past, substantially all of the earnings of each operating subsidiary was distributed to its principals and shareholders by way of salary, bonus, dividends and management fees. Commencing January 1, 1999, the principals of each of the operating subsidiaries began receiving base management compensation set at levels which are competitive in the insurance brokerage industry and profit sharing bonuses based on the profitability of the respective operating subsidiary. Furthermore, as a separate operating company, each subsidiary had been eligible for the small business rate on the first $200,000 of taxable income, resulting in a combined effective tax rate of 40%.

	Year ended December 31,					
	2000	**1999**	**1998**	**1997**	**1996**	**1995**
	($000)	*($000)*	*($000)*	*($000)*	*($000)*	*($000)*
Revenue	150,279	85,360*	61,105	47,027	44,731	40,946
Expense	123,650	69,473*	52,672	39,650	37,331	34,701
NIBGAIT**	26,629	15,887	8,433	7,377	7,400	6,245
Other operating expenses						
Interest on long term debt	3,125	997	1,271	895	1,220	1,358
Goodwill amortization	5,144	2,566	1,716	1,273	1,107	1,064
Loss (gain) on disposal of capital assets	201	22	(133)	–	–	–
Net earnings before income taxes	18,159	12,302	5,579	5,209	5,073	3,823
Provision for income taxes	8,474	6,394	2,916	2,081	2,083	1,501
Net earnings	9,685	5,908	2,663	3,128	2,990	2,322

**Reclassified to conform with current year presentation.*

***Net income before goodwill amortization, interest and tax.*

Management's Discussion and Analysis of Operating Results

General

On November 30, 1998, eleven independent insurance brokerages merged to form The Hub Group Limited. On January 18, 1999, Fairfax Financial Holdings Limited purchased through certain of its subsidiaries 5,400,000 shares of the Company for cash of $54,000. On January 22, 1999, the Company issued 2,838,080 Special Warrants at a price of $13.50 per Special Warrant for cash of $38,314. Holders of Special Warrants were entitled to receive, upon exercise and without payment of any further consideration, one common share of the Company for each Special Warrant held. These warrants were exercised on February 10, 1999.

On January 29, 1999, the Company filed a prospectus with applicable regulatory authorities in each of the provinces of Canada for the offering and issuance of 865,624 common shares of the Company for cash of $11,686. The offering closed on February 10, 1999.

Since February 1999, the Company has acquired 62 brokerages with annual revenues in aggregate of $94 million. Forty-four acquisitions were completed in 1999 and 18 acquisitions were completed in 2000.

In September of 2000, the shareholders voted to change the name of the Company to Hub International Limited.

On January 20, 2001, the Company announced its intention to acquire Kaye Group Inc.. Kaye Group offers insurance brokerage, risk management and underwriting services throughout the United States from its offices in New York, Connecticut, Rhode Island, and California. The aggregate purchase price is approximately US$120 million.

Upon completion of the acquisition, each holder of Kaye Group shares will receive for each share held US$14, comprised of the following components:

a) US$9.33 in cash; and

b) US$4.67 principal amount of 5 year 8.50% subordinate convertible debentures of Hub International. The debentures are convertible into common shares of Hub International at Cdn$17.00 per share.

The Company has the right, at any time prior to Kaye Group Inc. mailing the related proxy circular to the shareholders of Kaye Group Inc., to amend the acquisition consideration by replacing any or all of the principal of the debentures with an equal amount of cash.

Fairfax Financial Holdings Limited, which currently owns approximately 43% of Hub International's outstanding shares, has committed to support the transaction by agreeing to purchase at least US$35 million principal amount of Hub International convertible debentures bearing the same interest rate and convertible into common shares of Hub International at the same price as the convertible debentures issued as part of the acquisition.

Completion of this transaction, anticipated to occur in the second quarter of 2001, is subject to the receipt of satisfactory applicable regulatory approvals, approval of the acquisition by the shareholders of Kaye Group, compliance with applicable legal and regulatory requirements and standard closing conditions. The holders of approximately 55% of the shares of Kaye Group, under individual agreements, have agreed to vote in favour of the acquisition, and have granted Hub an irrevocable option to purchase their shares of Kaye Group in the event that the acquisition is not completed.

Results Of Operations

Revenue

Total revenue for 2000 was $150.3 million, an increase of $64.9 million or 76% over 1999. For 1999 revenue was $85.4 million, an increase of $24.3 million or 40% over 1998.

In 2000, the Company acquired 18 brokerages. The annual revenue of the acquired brokerages was $25.8 million, however the impact on 2000 revenue was $14.3 million due to the timing of these purchases. In 1999, the Company acquired 44 insurance brokerages and 16 related holding companies with annual revenue of $68 million. The impact of 1999 acquisitions on 2000 revenue was $48 million. The impact of 1999 acquisitions on 1999 revenue was $20 million. Acquisitions made in 2000 and 1999 were accounted for using the purchase method and therefore revenue and expenses of those operations have been included in each year only for the period from the date of acquisition to December 31, 2000 or 1999 respectively. Revenue for 2001 will reflect the full impact of these acquisitions.

Commissions and fees for 2000 were $136.3 million, $60.7 million or 80% higher than 1999. This was due mainly to acquisitions made in 1999 and 2000. Acquisitions in 1999 accounted for $42 million of the increase and acquisitions in 2000 account for $14.3 million of the increase. Excluding the effect of acquisitions, commissions increased $4.4 million or 5% over 1999.

Commissions and fees for 1999 were $75.7 million, $20.5 million or 37% higher than 1998. The increase was due mainly to acquisitions made in 1999 accounting for $20 million of the increase. Excluding the effect of acquisitions and 1998 business combinations, commissions increased $3.6 million or 7% over 1998. As a result of business combinations at November 30, 1998, the 1998 comparative consolidated commission revenues for some subsidiaries include more or less than 12 months of revenue. The effect on commissions for 1998 was an increase of $3.2 million.

Contingent profit sharing revenue for 2000 was $7.7 million, an increase of $3.3 million or 74% over 1999. Acquisitions completed in 1999 account for $3.1 million of the increase. Brokerages acquired in 1999 had already recognized in revenue for 1999 their contingent profits prior to their date of acquisition, and therefore the impact of their results did not impact the Company until 2000. Similarly, acquisitions made in 2000 had no impact on contingent profit sharing revenue for 2000 for the same reason. The remaining increase in contingent profit sharing revenue of $.2 million was the result of better loss ratios achieved on insurance business.

Contingent profit sharing revenue for 1999 was $4.5 million, an increase of $.3 million or 8% over 1998. The increase was due entirely to better loss ratios achieved on insurance business.

Other revenue, consisting primarily of investment income, for 2000 was $6.2 million, $1 million or 19% higher than 1999. Acquisitions in 1999 and 2000 accounted for $2.7 million, offset by $1.7 million of decreases in investment income as a result of excess cash balances from 1998 being used to complete acquisitions.

Other revenue for 1999 was $5.2 million, $3.4 million or 183% higher than 1998. The increase in 1999 was primarily the result of increased interest income earned on excess cash balances

generated as a result of the investment by Fairfax Financial Holdings Limited of $54 million and the prospectus offering of $50 million.

Operating Profit

Operating profit for 2000 was $26.6 million, $10.7 million or 68% higher than 1999. Operating profit for 1999 was $15.9 million, $7.5 million or 88% higher than 1998.

Operating costs as a percentage of revenue for 2000 were 82%, 1% higher than 1999. Remuneration costs, as a percentage of revenue, increased 3% offset in part by a decrease in overhead costs of 2%.

Increases in remuneration costs of 3% were the result of an increase in brokerage performance bonuses of 3% of revenue. The Company has a performance bonus program whereby each brokerage has an opportunity to achieve an annual bonus ranging from 50% to 65% of its brokerage operating profit in excess of 20% of the brokerage's prior year revenue. The bonus percentage earned is based upon the respective brokerage's operating profit margin. Due to the timing of acquisitions, many of the brokerages did not qualify for an operating bonus in 1999. In 2000 however, all but three brokerages achieved a pre-bonus operating profit in excess of 20%. Brokerage performance bonuses for 2000 were $5.5 million (3.7% of revenue), $4.6 million or 2.6% of revenue higher than 1999. Excluding these bonuses, operating profit margin for 2000 was 21.4%, an increase of 1.7% from 1999.

Although the Company's bonus structure had a negative impact on operating profit margins in 2000, it also motivated the Company's brokerages to consolidate operations and create synergies to reduce their overhead costs (operating costs less remuneration). In 2000, overhead costs as a percentage of revenue decreased 2% from 1999. Combined with a 3% decrease in 1999, we have successfully reduced overhead costs by 5% of revenue over the last two years. Management firmly believes that the brokerage performance bonus plan will continue to motivate the Company's brokerages to take the initiative within the Company to increase revenues organically, while reducing overhead costs and increasing the Company's operating profits and margins.

Operating costs as a percentage of revenue decreased by 4.8% in 1999 as a result of decreases in remuneration, selling and administrative costs. Within the 4.8% decrease, remuneration as a percentage of revenue decreased by 1.9% in 1999 as a result of new base management compensation guidelines implemented January 1, 1999. Selling costs decreased by 1.7% in 1999 as a result of the removal of discretionary travel and promotional spending compared to 1998 when the companies operated as separate autonomous companies. Administrative expense decreased by 1.5% as a result of the removal of discretionary costs as well as efficiencies achieved as a result of the pooling of costs of services such as professional services, insurance and technology support.

Net Earnings

Net earnings for 2000 were $9.7 million, $3.8 million or 64% higher than 1999. Net earnings for 1999 were $5.9 million, $3.2 million or 122% higher than 1998. Earnings per share for 2000 was $.53 per share, $.18 per share or 51% higher than 1999. Earnings per share for 1999 were $.35 per share, $.06 or 15% lower than 1998. The decrease in 1999 was due to the increase in

the weighted average number of shares outstanding during the year as a result of the prospectus offering and investment by Fairfax Financial Holdings Limited.

Interest on long term debt for 2000 was $3.1 million, $2.1 million higher than 1999. The increase is attributable to the increase in long term debt incurred through the year to fund acquisitions. Interest on long term debt for 1999 was $1 million, $.3 million less than 1998, the result of applying excess cash balances to retire loans in existence at the beginning of the year to reduce interest costs.

Goodwill amortization for 2000 was $5.1 million, $2.6 million higher than 1999. Goodwill amortization for 1999 was $2.6 million, $.9 million higher than 1998. Increases in goodwill amortization for both 2000 and 1999 are the result of acquisitions made during the respective years. Goodwill related to acquisitions is being amortized on a straight-line basis over forty years.

The effective income tax rate on pre-tax earnings for 2000 was 46.7%, compared to 51.9% in 1999 and 52.2% in 1998. The decrease in the effective income tax rate on pre-tax earnings was the result of a heavier weighting of earnings in the USA where tax rates are lower than Canada. Also, acquisitions in the USA were structured to result in goodwill amortization that is deductible for income tax purposes. The effective income tax rate on pre-tax earnings for 1999 is comparable to 1998.

Cash Flow, Liquidity and Capital Resources

Operating Activities

Cash generated from operating activities for 2000 was $20.2 million, an increase of $12.2 million over 1999. $3.6 million of the increase was primarily the result of timing differences between payment of accounts payable and collection of accounts receivable. The remainder of the increase, $8.6 million, was the result of increased net earnings adjusted for items not affecting working capital.

Cash generated from operations in 1999 was $8.1 million, an increase of $2.5 million over 1998. Net earnings adjusted for items not affecting working capital accounted for an increase of $5.1 million, while primarily timing differences between the payment of accounts payable and collection of accounts receivable resulted in a decrease of $2.6 million, for a net increase of $2.5 million.

Financing and Investing Activities

In 2000, the Company changed its debt financing structure, as well as increased its debt position as a result of acquisitions made during the year. During the year, the Company refinanced short term unsecured bank debt of $25.9 million and replaced it with a long term, $50 million unsecured bank facility. The Company increased its borrowings under the new facility to $47.1 million, an increase of $21.2 million. Other long term debt and capital leases increased $1.1 million during the year to $7.6 million. The increase was a result of $1.5 million of long term debt and capital leases assumed from acquisitions, advances received of $.5 million to purchase capital assets, long term notes payable of $3.1 million issued in connection with the acquisition of brokerages and scheduled repayments of $3.9 million.

In 1999, long term debt and capital leases were $6.5 million, a decrease of $12.6 million from 1998. The decrease was a result of a decision by management to retire certain long term debt during 1999.

In 2000, under the terms of a normal course issuer bid approved by The Toronto Stock Exchange, the Company purchased and cancelled 225,960 common shares for an aggregate cost of $3.1 million, of which $1.0 million was charged to retained earnings. In addition, the Company holds 61,898 common shares in respect of an Executive Stock Purchase Plan. Of the aggregate cost of $1,332, retained earnings was charged with $626.

In 1999, under the terms of a normal course issuer bid approved by The Toronto Stock Exchange, the Company purchased and cancelled 554,000 common shares for an aggregate cost of $10.4 million, of which $4.1 million was charged to retained earnings. In addition, the Company also repurchased 22,500 common shares for cancellation for an aggregate cost of $295, of which $59 was charged to retained earnings.

In 2000, the Company paid dividends of $3.9 million. Dividends were not paid in 1999. Dividends paid in 1998 were paid prior to the business combinations on November 30, 1998.

In 2000, the Company issued 507,675 common shares for $7.7 million and $3.1 million of debt, and paid $39.4 million of cash, for total consideration of $50.1 million to purchase subsidiaries. In 1999, the Company issued 2,704,570 common shares for $47.9 million and paid $57.7 million of cash, for total consideration of $105.5 million to purchase subsidiaries.

In 2000, the Company invested in capital assets at an aggregate cost of $3.8 million, of which $.5 million were acquired by means of capital leases. In 1999, the Company invested in capital assets at an aggregate cost of $2.1 million, of which $.1 million were acquired by means of capital leases.

Liquidity

As at December 31, 2000, the Company had $41 million of non-fiduciary cash on hand, in addition to a long term credit facility of $50 million, of which $47.1 was drawn. As at December 31, 1999, the Company had $41 million of non-fiduciary cash on hand, in addition to available lines of credit of $30 million, of which $25.9 million was outstanding. As at December 31, 1998, the Company had $2.6 million of non-fiduciary cash on hand, in addition to available lines of credit of $4.2 million, of which $3.6 million was outstanding.

Free Cash Flow Return on Average Equity, measured as net income plus amortization, depreciation and working capital generated, less capital expenditures, was 9% for 2000, up from 4% in 1999. Although a significant improvement from 1999, the return is still low due to the Company's large equity base.

With respect to the purchase of Kaye Group Inc., the Company is currently in the process of arranging financing to complete the transaction. Management expects that the necessary financing will be arranged and the Company will have sufficient funds to meet its capital requirements over the next 12 months.

Business Risks

Commission revenues are based upon a percentage of premiums charged by insurance companies to insureds and therefore fluctuations in those premiums have a significant impact on the Company. Until 2000, the market place had been characterized by lower premium rates charged by property and casualty carriers resulting in heavy competition for market share. This has resulted in flat or reduced renewal commissions for the Company. As a result of both domestic and international underwriting losses by carriers in the past three years, the market place began to change in 2000 and premium rates charged began to increase, especially in the area of commercial property and casualty insurance. Management believes that premiums charged in 2001 will continue to rise, with the United States market leading the way.

The Company has a large and diversified client base. As at December 31, 2000 accounts receivable from customers totalled $61.2 million. The Company monitors its accounts receivable very closely on a regular and timely basis. The Company can mitigate the risk of loss related to accounts receivable through its privilege to request the insurance carrier to cancel the contract of insurance for non-payment, thereby reducing the premium outstanding to the carrier and the related amount to be collected from the customer.

The Company's fixed costs (including costs associated with salaries and employee benefits, depreciation and amortization, and interest expense and principal repayments of long term debt and capitalized leases), account for a significant portion of the Company's costs and expenses. As a result, downtime or low productivity resulting from lower demand, equipment failures or other factors or a decrease in the premium rates, volume and commission paid in the segments of the insurance industry in which the Company operates could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company was formed by the merger of eleven companies on November 30, 1998. Since then, the Company has acquired 62 additional brokerages. While the Company's business strategy provides for a largely decentralized management system, there can be no assurance that the Company will not face difficulties in consolidating the acquired companies, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Although the Company has conducted due diligence in respect of the business and operations of the merged and acquired companies which it considers satisfactory in connection with each transaction, there can be no certainty that all material facts concerning the acquired companies have been identified. Unanticipated events or liabilities relating to these companies could have a material adverse effect on the Company's business and financial condition and results of operations. In order to limit the risk presented by this contingency, the Company obtains comprehensive representations and warranties regarding acquired companies from the vendors in the purchase agreements, supported by the personal obligation of indemnification from the vendors. In addition, the Company has entered into non-competition and non-solicitation agreements with its employees, where appropriate.

The Company is subject to the laws and regulations of the jurisdictions in which it carries on business and to the government initiatives (for example, government-provided insurance schemes or laws related to the privacy of information) in those jurisdictions. There can be no assurance that the environment in which the Company operates will not change significantly in the future, which changes could have a material adverse effect on the Company's business and financial condition and results of operations.

Consolidated Financial Statements

Consolidated Balance Sheets

As at December 31, 2000 and 1999

	2000 ($000)	1999 ($000)
Assets		
Current assets		
Cash	31,430	33,721
Trust cash (note 2)	19,497	16,516
Accounts and other receivables (note 3)	66,233	60,354
Income taxes receivable	3,758	–
Prepaids	1,376	763
	122,294	111,354
Capital assets (note 4)	11,374	9,633
Goodwill (notes 5 & 12)	185,789	141,713
Future income tax assets	580	715
Other assets	5,257	6,724
	325,294	270,139
Liabilities		
Current liabilities		
Bank debt (note 6)	–	25,915
Accounts payable and accrued liabilities	90,889	68,924
Current portion of long term debt and capital leases (note 7)	3,420	3,491
Income taxes	1,462	1,742
	95,771	100,072
Long term debt and capital leases (note 7)	51,279	3,043
Future income tax liabilities	1,186	616
	148,236	103,731
Shareholders' equity		
Share capital (note 8)	175,825	170,953
Currency translation account	307	(1,312)
Retained earnings (deficit)	926	(3,233)
	177,058	166,408
	325,294	270,139

(the accompanying notes form an integral part of the financial statements)

Signed on behalf of the Board

Director   Director

Consolidated Statements of Earnings

For the years ended December 31, 2000, 1999 and 1998

	2000 ($000)	1999 ($000)	1998 ($000)
Revenue			
Commission income	136,346	75,683	55,150
Contingent profit sharing	7,746	4,456	4,109
Other	6,187	5,221	1,846
	150,279	85,360	61,105
Expenses			
Remuneration	86,313	46,578	34,475
Selling	7,637	4,791	4,434
Occupancy	9,082	5,354	3,730
Depreciation	2,975	2,012	1,416
Administration	17,643	10,738	8,617
	123,650	69,473	52,672
Net income before the following other operating expenses	26,629	15,887	8,433
Interest on long term debt	3,125	997	1,271
Goodwill amortization	5,144	2,566	1,716
Loss (gain) on disposal of capital assets	201	22	(133)
Net earnings before income taxes	18,159	12,302	5,579
Income taxes (note 10)			
Current	7,744	6,722	3,462
Future	730	(328)	(546)
	8,474	6,394	2,916
Net earnings	9,685	5,908	2,663
Earnings per share (note 1)	$0.53	$0.35	$0.41

Consolidated Statements of Retained Earnings (Deficit)

For the years ended December 31, 2000, 1999 and 1998

	2000 ($000)	1999 ($000)	1998 ($000)
Retained earnings (deficit) – Beginning of year	(3,233)	(4,985)	(2,478)
Net earnings	9,685	5,908	2,663
Excess over stated value of shares purchased (note 8)	(1,650)	(4,156)	(2,757)
Dividends	(3,876)	–	(1,641)
Transfer to share capital (note 8)	–	–	(772)
Retained earnings (deficit) – End of year	926	(3,233)	(4,985)

(the accompanying notes form an integral part of the financial statements)

Consolidated Statements of Cash Flows

For the years ended December 31, 2000, 1999 and 1998

	2000 ($000)	1999 ($000)	1998 ($000)
Operating Activities			
Net earnings	9,685	5,908	2,663
Items not affecting working capital			
Amortization and depreciation	8,119	4,578	3,132
Loss (gain) on sale of capital assets	201	22	(133)
Future income taxes	730	(328)	(546)
	18,735	10,180	5,116
Non-cash working capital items			
Accounts and other receivables	(3,676)	(5,256)	(4,681)
Prepaids	(447)	202	(62)
Accounts payable and accrued liabilities	9,659	3,080	4,203
Income taxes	(4,063)	(155)	1,018
	20,208	8,051	5,594
Financing activities			
Bank debt	(25,915)	22,372	1,518
Long term debt – advances	47,076	145	4,583
Long term debt and capital leases – repayments	(3,947)	(22,926)	(6,676)
Share capital – issued for cash net of issue costs	–	103,406	13,200
Share capital – repurchases	(4,481)	(10,699)	(4,555)
Dividends	(3,876)	–	(1,641)
	8,857	92,298	6,429
Investing activities			
Capital assets – purchase	(3,235)	(1,961)	(2,788)
Capital assets – proceeds on sale	350	120	1,154
Purchase of subsidiaries, net of cash received	(29,873)	(46,079)	(10,911)
Other assets	4,383	(6,761)	(1,547)
	(28,375)	(54,681)	(14,092)
Change in cash and cash equivalents	690	45,668	(2,069)
Cash and cash equivalents – Beginning of year	50,237	4,569	6,638
Cash and cash equivalents – End of year	50,927	50,237	4,569

Cash and cash equivalents includes trust cash.

Notes to Consolidated Financial Statements

for the years ended December 31, 2000, 1999 and 1998

(in $000s except per share amounts and as otherwise indicated)

1. Summary of significant accounting policies

The consolidated financial statements of Hub International Limited have been prepared in accordance with Canadian generally accepted accounting principles. The more significant of the accounting policies are as follows:

Business operations

Hub International Limited is an international insurance brokerage which provides a variety of property, casualty, life and health, employee benefits, investment and risk management products.

Basis of preparation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

Acquisitions of subsidiaries (note 12) have been accounted for using the purchase method, whereby the results of acquired companies are included only from the date of acquisition.

The Company's investments in affiliates over which it has significant influence are accounted for on the equity basis. Investments in affiliates over which the Company does not have significant influence are recorded at cost.

Revenue

Commission revenue and fees are recognized on the effective date of the policies. The Company is entitled to contingent profit sharing, the amount of which cannot be reasonably estimated in the year. Contingent profit sharing is recorded in the earlier of the period in which amounts can be reasonably estimated or the period in which amounts are received.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and investments of short term fixed income investments. Cash and cash equivalents included in the cash flow statement are comprised of the following balance sheet amounts.

	2000	**1999**	**1998**
	($000)	*($000)*	*($000)*
Cash	31,430	33,721	487
Trust cash	19,497	16,516	4,082
	50,927	50,237	4,569

Capital assets
Capital assets are recorded at cost and depreciation is recorded based on the useful economic lives, at the following rates:

Leasehold improvements	straight-line over term of lease
Office equipment	20% declining balance
Computer equipment	30% declining balance

Goodwill
Goodwill, being the excess of cost of purchase over net assets acquired, at fair value, of subsidiary companies is amortized to earnings on the straight-line basis over periods from 10 to 40 years.

The Company evaluates the continuing value of goodwill on a periodic basis based on the underlying cash flows and operating results of the subsidiaries.

Future income taxes
Income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates which are expected to be in effect when the asset or liability is settled.

Estimates and assumptions
Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimated.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies, that are not hedges, are translated into Canadian dollars at the year-end rates of exchange. Revenue and expenses are translated at the average yearly exchange rates. Realized gains and losses on foreign exchange transactions are recognized in the consolidated statements of earnings. Exchange gains and losses on bank loans denominated in foreign currencies that hedge foreign operations are deferred and included in shareholders' equity.

The operations of the Company's subsidiaries in the United States and Hungary are self-sustaining. As a result, the assets and liabilities of these subsidiaries are translated at year-end rates of exchange. Revenue and expenses are translated at the average rates of exchange for the respective year. The unrealized gains and losses which result from translation, less related hedging gains or losses, are deferred and included in shareholders' equity under the caption "Currency translation account".

Earnings per share
Fully diluted and basic earnings per share are the same and are calculated using the weighted average number of common shares outstanding during the respective year. The weighted average number of shares for 2000 was 18,327,114 (1999 – 16,940,792, 1998 – 6,448,818).

2. Trust funds

Under certain statutory regulations, all premiums receivable or collected by the Company, less commissions and other deductions, are to be held in trust for the insurers. These funds cannot be used or applied for other purposes and must be remitted within a specified period after the effective date of the policy. The cash held in trust is shown separately on the balance sheet. All balances held in trust were as follows:

	2000 ($000)	1999 ($000)
Trust cash	19,497	16,516
Accounts receivable	33,516	31,389
Accounts payable to insurers	(41,327)	(38,537)
Customer deposits and retail sales tax	(2,128)	(2,035)
	9,558	7,333

3. Accounts and other receivables

Accounts and other receivables consist of the following:

	2000 ($000)	1999 ($000)
Trade	62,012	51,594
Less: Allowance for doubtful accounts	(792)	(488)
Other	5,013	9,248
	66,233	60,354

4. Capital assets

	2000 ($000)	1999 ($000)
Cost		
Leasehold improvements	3,044	2,402
Office equipment	10,367	9,017
Computer equipment	14,044	11,402
	27,455	22,821
Accumulated depreciation	(16,081)	(13,188)
Net book value	11,374	9,633

During 2000, capital assets were acquired at an aggregate cost of $3,779 (1999 – $2,064), of which $544 (1999 – $103) were acquired by means of capital leases.

At the end of 2000, the gross cost of capital assets held under capital leases was $2,812 (1999 – $2,268).

5. Goodwill

	2000 *($000)*	1999 *($000)*
Cost	202,328	153,790
Accumulated amortization	(16,539)	(12,077)
	185,789	141,713

6. Bank debt

During the year, the Company repaid short term bank loans of $25.9 million with proceeds from a long term $50 million unsecured revolving credit facility which enables the Company to access U.S. Dollar Prime Rate Loans (prime plus 1%), U.S. Dollar Base Rate Loans (prime plus 0.5%), U.S. Dollar LIBOR loans (LIBOR plus 1%) and Bankers Acceptances (Bankers Acceptance rate plus 1%). The Company has the right to request an extension of the revolving loan facility for successive periods of one year. If the Company requests an extension of the revolving facility and the extension is denied, the facility converts to a three year fixed rate term loan, with the balance of principal due on the third anniversary of conversion. In addition, the Company is restricted under this facility from incurring secured debt, in aggregate, in excess of $10 million and from incurring operating debt, in aggregate, in excess of $10 million.

7. Long term debt and capital leases

	2000 *($000)*	1999 *($000)*
Revolving U.S. Dollar LIBOR loans at 7.6375% (note 6)	47,076	–
Term loan with interest at 6.71%, repayable at $1 per week, due December 1, 2001*	268	311
Term loan with interest at prime plus 3/4%, repayable at $36 per month, due August, 2005*	1,783	2,212
Term loan with interest at 7.5%, repayable at $24 per month, due April, 2001*	92	341
Term loan with interest at 5.54%, repayable at $29 per month, due November, 2000*	–	1,725
Note payable with interest at 5.92%, repayable at $408 per annum, due November 1, 2005 **	1,740	–
Various other unsecured notes payable and debt	2,685	566
Capital leases*	1,055	1,379
Long term debt and capital leases	54,699	6,534
Less current portion	3,420	3,491
	51,279	3,043

Future repayment of long term debt and capital leases is as follows:

Year ending December 31, 2001	3,420
2002	1,429
2003	1,172
2004	1,019
2005	494
2006 and thereafter	47,165
	54,699

**Certain capital assets have been pledged as security.*

8. Share capital

The share capital of the Company consists of the following:

Authorized

Unlimited number of common shares

Unlimited number of non-voting preference shares, issuable in series on such terms and conditions as set by the Board of Directors

Issued

18,528,321 common shares

(1999 – 18,308,504 common shares, 1998 – 7,076,730 common shares)

	Common shares *(number)*	**Common shares** *($000)*	**Preferred shares** *($000)*	**Total** *($000)*
Balance, December 31, 1997		8,499	3,917	12,416
Repurchase		(688)	(877)	(1,565)
Issued for cash		2,695	3,118	5,813
Restatement of stated capital		772	–	772
Purchase of subsidiaries		5,954	1,200	7,154
Conversion of (to) debt		2,876	(1,235)	1,641
November 30 reorganization	7,076,730	6,123	(6,123)	–
Balance, December 31, 1998	7,076,730	26,231	–	26,231
Repurchase	(576,500)	(6,543)	–	(6,543)
Issued for cash	9,103,704	103,406	–	103,406
Purchase of subsidiaries (note 12)	2,704,570	47,859	–	47,859
Balance, December 31, 1999	18,308,504	170,953	–	170,953
Repurchase	(287,858)	(2,831)	–	(2,831)
Purchase of subsidiaries (note 12)	507,675	7,703	–	7,703
Balance, December 31, 2000	18,528,321	175,825	–	175,825

Under terms of normal course issuer bids approved by The Toronto Stock Exchange, the Company purchased and cancelled 225,960 common shares (1999 – 554,000) for an aggregate

cost of $3,149 (1999 – $10,404) of which $1,024 (1999 – $4,097) was charged to retained earnings. In addition, the Company holds 61,898 common shares in respect of an Executive Stock Purchase Plan. Of the aggregate cost of $1,332, retained earnings was charged with $626. In 1999, the Company also repurchased 22,500 common shares for cancellation for an aggregate cost of $295, of which $59 was charged to retained earnings.

On January 22, 1999, the Company issued 2,838,080 Special Warrants at a price of $13.50 per Special Warrant for cash of $38,314. Holders of Special Warrants were entitled to receive, upon exercise and without payment of any further consideration, one common share of the Company for each Special Warrant held. These warrants were exercised on February 10, 1999.

On January 29, 1999, the Company filed a prospectus with applicable regulatory authorities in each of the provinces of Canada for the offering and issuance of 865,624 common shares of the Company for cash of $11,686. The offering closed on February 10, 1999. Shares issued for cash of $103,406 is net of issue costs of $594.

During 1998, one of the subsidiaries reorganized its capital and increased the stated capital of one of its share classes by $772. The amount was charged to retained earnings.

During 1998, certain subsidiaries repurchased some of their shares. The excess of the redemption price over the stated capital of $2,757 was charged to retained earnings.

9. Commitments and contingencies

a) The Company is committed under lease agreements for office premises and computer equipment. The minimum annual lease payments are as follows:

2001	7,414
2002	6,190
2003	4,841
2004	4,041
2005	3,350
2006 and thereafter	11,588
	37,424

b) The Company may, under certain circumstances be obligated to purchase loans to officers, directors and employees from a Canadian chartered bank totalling $9,306 (1999 – $6,531) to assist in purchasing common shares of the Company. As collateral, the employees have pledged 689,797 (1999 – 555,000) common shares which have a year-end market value of $8,967 (1999 – $9,601). Interest in the amount of $626 (1999 – $352) on the loans was paid by the Company.

10. Income taxes

The provision for income taxes differs from the result that would have been obtained by applying the combined statutory federal and provincial income tax rate, as follows:

	2000 ($000)	1999 ($000)	1998 ($000)
Provision for tax at statutory rates	7,981	5,470	2,504
Non-deductible amortization of goodwill	1,569	928	649
Income earned outside Canada	(1,812)	(69)	–
Other	736	65	(22)
Small business rate reduction	–	–	(215)
Provision for tax	8,474	6,394	2,916

11. Interest and income taxes paid

Interest and income taxes were paid during the year as follows:

	2000 ($000)	1999 ($000)	1998 ($000)
Interest paid	4,112	997	1,271
Income taxes paid	11,878	6,728	2,444

12. Acquisitions

a) During 2000, the Company purchased all of the issued and outstanding shares of 18 brokerages. Goodwill with respect to acquisitions was calculated as follows:

	C.J. McCarthy Insurance Agency, Inc. ($000)	Others ($000)	Total ($000)
Working capital	4,786	(2,525)	2,261
Capital and other assets	768	572	1,340
Long term debt and capital leases assumed	(1,418)	(38)	(1,456)
Net assets (liabilities), at fair value	4,136	(1,991)	2,145
Consideration			
Cash	28,774	10,587	39,361
Debt	–	3,078	3,078
Shares	6,967	736	7,703
	35,741	14,401	50,142
Goodwill	31,605	16,392	47,997
Number of shares issued as consideration	464,470	43,205	507,675

b) During 1999, the Company purchased all of the issued and outstanding shares of 44 brokerages. Goodwill with respect to acquisitions was calculated as follows:

	Mack and Parker, Inc. ($000)	TOS Insurance Services Ltd. ($000)	Others ($000)	Total ($000)
Working capital	5,181	696	(998)	4,879
Capital and other assets	1,252	2,045	1,966	5,263
Long term debt and capital leases assumed	(396)	(3,501)	(6,035)	(9,932)
Net assets (liabilities), at fair value	6,037	(760)	(5,067)	210
Consideration				
Cash	15,908	6,905	34,867	57,680
Shares	20,905	7,095	19,859	47,859
	36,813	14,000	54,726	105,539
Goodwill	30,776	14,760	59,793	105,329
Number of shares issued as consideration	1,102,593	417,358	1,184,619	2,704,570

13. Segmented Information

The Company is an international insurance brokerage which provides a variety of property, casualty, life and health, employee benefits, investment and risk management products.

Financial information by geographic segment for 2000 and 1999 (1998 – 100% Canada) is as follows (all in Canadian dollars):

	2000			1999		
	Canada *($000)*	**USA** *($000)*	**Consolidated** *($000)*	**Canada** *($000)*	**USA** *($000)*	**Consolidated** *($000)*
Revenue						
Insurance	117,884	31,344	149,228	80,384	2,422	82,806
Corporate and other	12,548	8,114	20,662	6,357	–	6,357
Elimination of intrasegment revenues	(11,719)	(7,892)	(19,611)	(3,803)	–	(3,803)
	118,713	31,566	150,279	82,938	2,422	85,360
Net earnings before income taxes						
Insurance	12,650	5,115	17,765	9,037	(372)	8,665
Corporate and other	5,950	(5,556)	394	3,960	(323)	3,637
	18,600	(441)	18,159	12,997	(695)	12,302
Income taxes						
Insurance	7,779	2,113	9,892	5,166	(103)	5,063
Corporate and other	651	(2,069)	(1,418)	1,569	(238)	1,331
	8,430	44	8,474	6,735	(341)	6,394
Net earnings						
Insurance	4,871	3,002	7,873	3,871	(269)	3,602
Corporate and other	5,299	(3,487)	1,812	2,391	(85)	2,306
	10,170	(485)	9,685	6,262	(354)	5,908
Identifiable assets						
Insurance	204,968	99,591	304,559	184,674	50,603	235,277
Corporate and other	13,111	7,624	20,735	31,948	2,914	34,862
	218,079	107,215	325,294	216,622	53,517	270,139
Amortization	3,917	1,227	5,144	2,441	125	2,566
Additions to capital assets	3,456	323	3,779	1,933	131	2,064
Depreciation	2,554	421	2,975	1,911	101	2,012
Interest revenue	1,542	1,111	2,653	1,142	131	1,273
Interest expense	3,030	95	3,125	670	327	997

Geographic revenue is determined based upon the domicile of the various subsidiaries and where they primarily derive their revenue.

Corporate and other revenue includes interest on cash balances. Net earnings before income taxes includes interest expense and corporate overhead.

14. Subsequent events

On January 20, 2001, the Company announced its intention to acquire 100% of the issued and outstanding shares of Kaye Group Inc. at $14 per share, for an aggregate purchase price of $120 million. Upon completion of the acquisition, each holder of Kaye Group shares will receive for each share held US$14, comprised of the following components:

a) US$9.33 in cash; and

b) US$4.67 principal amount of 5 year 8.50% subordinate convertible debentures of Hub International. The debentures are convertible into common shares of Hub International at Cdn$17.00 per share.

The Company has the right, at any time prior to Kaye Group Inc. mailing the related proxy circular to the Shareholders of Kaye Group Inc., to amend the acquisition consideration by replacing any or all of the principal of the debentures with an equal amount of cash.

Fairfax Financial Holdings Limited, which currently owns approximately 43% of Hub International's outstanding shares, has committed to support the transaction by agreeing to purchase at least US$35 million principal amount of Hub International convertible debentures bearing the same interest rate and convertible into common shares of Hub International at the same price as the convertible debentures issued as part of the acquisition.

Completion of this transaction, anticipated to occur in the second quarter of 2001, is subject to the receipt of satisfactory applicable regulatory approvals, approval of the acquisition by the shareholders of Kaye Group, compliance with applicable legal and regulatory requirements and standard closing conditions. The holders of approximately 55% of the shares of Kaye Group, under individual agreements, have agreed to vote in favour of the acquisition, and have granted Hub an irrevocable option to purchase their shares of Kaye Group in the event that the acquisition is not completed.

For the year ended December 31, 2000, Kaye Group had total revenue of US$78 million. At December 31, 2000, total assets amounted to US$173 million and shareholders' equity amounted to US$56 million.

15. Related party transactions

The Company had transactions with the following related parties:

	2000			1999		
	Commission Income *($000)*	Other *($000)*	Total *($000)*	Commission Income *($000)*	Other *($000)*	Total *($000)*
Lombard General Insurance Company of Canada	11,785	92	11,877	9,453	135	9,588
Commonwealth Insurance Company	554	–	554	557	–	557
Federated Insurance Company of Canada	16	–	16	1	–	1
Markel Insurance Company of Canada	114	–	114	95	–	95
Crum & Forster Insurance	455	4	459	106	–	106
TIG Specialty Insurance	–	–	–	1	–	1
	12,924	96	13,020	10,213	135	10,348

As at December 31, 2000, the Company had accounts receivable and accounts payable balances with the related parties in the amounts of $424 and $5,689 (1999 – $467 and $5,967) respectively. All revenue and related accounts receivable and accounts payable are the result of transactions in the normal course of business and were transacted at fair market value. The companies are related through common ownership of Fairfax Financial Holdings Limited.

March 17, 2001

Auditors' Report To the Shareholders of Hub International Limited

We have audited the consolidated balance sheets of Hub International Limited as at December 31, 2000 and December 31, 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years ended December 31, 2000, 1999 and 1998. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and December 31, 1999 and the results of its operations and its cash flows for the years ended December 31, 2000, 1999 and 1998 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Toronto, Ontario

Quarterly Data (unaudited)

(in $ thousands except per share data)

Year ended December 31, 2000	**First quarter** *($000)*	**Second quarter** *($000)*	**Third quarter** *($000)*	**Fourth quarter** *($000)*	**Full year** *($000)*
Revenue	36,615	36,418	38,665	38,581	150,279
Net earnings	3,633	3,302	1,868	882	9,685
Net earnings per share	$.20	$.18	$.10	$.05	$.53

Year ended December 31, 1999	**First quarter** *($000)*	**Second quarter** *($000)*	**Third quarter** *($000)*	**Fourth quarter** *($000)*	**Full year** *($000)*
Revenue	16,132	19,110	20,969	29,149	85,360
Net earnings	1,397	1,947	1,550	1,014	5,908
Net earnings per share	$.09	$.12	$.09	$.05	$.35

Stock Prices

Below are The Toronto Stock Exchange high, low and closing prices of the Company's common shares for each quarter.

Year ended December 31, 2000	**First quarter** *($)*	**Second quarter** *($)*	**Third quarter** *($)*	**Fourth quarter** *($)*
High	18.00	16.00	14.60	13.00
Low	13.50	13.00	10.00	9.50
Close	16.00	15.00	12.00	13.00
Cash dividends declared per share	0.00	0.07	0.07	0.07

Year ended December 31, 1999	**First quarter** *($)*	**Second quarter** *($)*	**Third quarter** *($)*	**Fourth quarter** *($)*
High	28.00	25.00	26.50	20.00
Low	13.50*	14.55	20.00	17.25
Close	16.75	23.00	20.25	17.30
Cash dividends declared per share	0.00	0.00	0.00	0.00

**The initial public offering was $13.50.*

DIRECTORS OF THE COMPANY

Martin P. Hughes
Chairman & Chief Executive Officer

Paul Murray*
President, Pinesmoke Investments

Richard A. Gulliver
President & Chief Operating Officer

Jean Martin
President & Chief Executive Officer,
Martin Assurance & Gestion de Risques Inc.

John Varnell*
Vice President, Fairfax Financial Holdings Limited

R. Craig Barton
President & Chief Executive Officer,
Barton Insurance Brokers Ltd.

Anthony F. Griffiths*
Independent Consultant & Corporate Director

** Audit Committee Member*

OFFICERS OF THE COMPANY

Martin P. Hughes
Chairman & Chief Executive Officer

R. Craig Barton
Vice President

Richard A. Gulliver
President & Chief Operating Officer

Jean Martin
Vice President

John Varnell
Vice Chairman

John Curran
Vice President, Marketing

W. Kirk James *(Investor Relations Contact)*
Vice President, Secretary & General Counsel

Deborah Wilson
Chief Technology Officer

Dennis Pauls
Vice President & Chief Financial Officer

Darlene Jacus
Chief Information Officer

REGISTERED OFFICE

214 King Street West
Suite 314
Toronto, Ontario Canada M5H 3S6

EXECUTIVE OFFICE

55 East Jackson Boulevard
Chicago, IL 60604-4187

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company

SHARE LISTING

The Toronto Stock Exchange Stock Symbol HBG

OPERATING MANAGEMENT

R. Craig Barton, President & Chief Executive Officer
Barton Insurance Brokers Ltd.

Gaston Ferland, President
Blais Assurance & Gestion de Risques Inc.

Dan Cross, President
Brokerage Underwriting Services Inc.

Cornelius J. McCarthy, Chairman
C.J. McCarthy Insurance Agency, Inc.

Peter Guest, President
Evans-Bastion Insurance Agencies Ltd.

Larry O'Donoghue, President
Gifford Associates Insurance Brokers Ltd.

Terry Patterson, President
Halton-Caird Insurance Brokers Limited

Terri DiFlorio, President
Hub Financial Inc.

Peter Johnson, President
Hub Financial (Prairies) Inc.

Nelson Tilander, President & Chief Operating Officer
The Hub Group (Ontario) Inc.

Paul Brown, President
The Independent Brokerage Group Inc.

Edward Mack III, President
Mack and Parker, Inc.

Jean Martin, President & Chief Executive Officer
Martin Assurance & Gestion de Risques Inc.

Terry Trecartin, President
Mitchell McConnell Insurance Ltd.

Serge Assayag, President
NILA Financial & Insurance Services Inc.

Polly Moauro, President
P. Moauro & Associates Inc.

Alan Pollock, President
Parsons Brown & Company Ltd.

Paul Ayotte, President
Paul Ayotte Insurance Broker Ltd.

Guy Robichaud, President,
Paul Ayotte Insurance Brokers (Kapuskasing) Ltd.

Ray Page, President
Page Insurance Ltd.

Peter Matson, President and **Robert Wilson**, CEO
Pro-Form Insurance Services Inc.

James Henry, President
Rose, Horne & Stevenson Insurance Brokers Inc.

James Holland, President
Tenax Employee Benefits & Consulting Inc.

Larry Lineker, President & Chief Executive Officer
TOS Insurance Services Ltd.

ANNUAL MEETING

The annual meeting of the shareholders of HUB International Limited will be held on Thursday, May 10, 2001 at 10:00 a.m. at The Glenn Gould Studio, Canadian Broadcasting Centre, 250 Front Street West, Toronto, Ontario.

HUB INTERNATIONAL LIMITED

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